



## **North Devon Council**

Report Date: Strategy and Resources Committee: 1<sup>st</sup> July 2024

### **Topic: Performance and Financial Management Quarter 4 of 2023/24**

Report by: Director of Resources and Deputy Chief Executive

#### **1. INTRODUCTION**

- 1.1. This is one of the series of regular quarterly reports on the council's overall operational and financial performance. The report covers financial as well as operational performance. It mainly covers the quarter from January to March 2024, but also looks at the whole year.
- 1.2. Section 4 deals with headline financial performance. More detailed performance information is available in Appendix F, which sets out our five programmes and the projects sitting underneath, with updates on progress to date and those new and historic key results and reportable key performance information. For 2023/24 we incorporated updates on the five programmes and supporting measures within the body of this report. Moving forwards the content of Appendix F will be provided as a separate report from the Programme Management Office to enable members to separate the finances from the deliverables and encourage greater challenge and debate around the delivery of your Corporate Plan and those programmes to support delivery of your vision.

#### **2. RECOMMENDATIONS**

- 2.1. That the actions being taken to ensure that performance is at the desired level be noted.
- 2.2. That the contributions to/from earmarked reserves be approved (section 4.2)
- 2.3. That the movement on the Strategic Contingency Reserve (section 4.3) be noted.
- 2.4. The Council approve the variations to the Capital Programme 2024/25 to 2026/27 (sections 4.4.8)
- 2.5. That funds are released for the capital schemes listed in section 4.4.13
- 2.6. That the sections dealing with Treasury Management, Debt Management and General Debtors (sections 4.5 to 4.7) be noted.

#### **3. REASONS FOR RECOMMENDATIONS**

- 3.1. To ensure that appropriate action is taken to allow the council to meet its objectives.
- 3.2. To inform Members of actual results compared to approved Corporate Plan, as well as progress in delivering services within the revenue budget and Capital Programme.

## 4. Financial Performance

### 4.1. Revenue

- 4.1.1. The revenue budget for 2023/24 was approved at Council on 22nd February 2023 at £14,766,450.
- 4.1.2. As at 31<sup>st</sup> March 2024, it is pleasing to report that the final out turn position is a budget surplus of £630,000, which is an overall movement of £557,000 from the last forecast at quarter 3. The breakdown showing these movements are shown in “Appendix A – Variations in the Revenue Budget”.
- 4.1.3. The last quarter of the financial year has seen a number of variances since the last reported position; most notably, reduction in both Planning fee income, Parking Charge Notice income and additional electricity costs throughout our assets; these have been offset by additional income, interest receivable, less interest payable on borrowing and additional Business Rates income.
- 4.1.4. The net movement from quarter 3 of £557,000 can be mainly attributed to:

#### Adverse variances:

- £89,000 Reduction in Parking Charge Notice income
- £191,000 Premises Electricity
- £132,000 Planning fee income
- £81,000 External Audit fee
- £70,000 Insurance premiums
- £75,000 Transfer of Public Conveniences

#### Favourable variances:

- £66,000 Work and Recycling Transport
- £54,000 Temporary Accommodation costs
- £46,000 Building Control Partnership
- £41,000 Crematorium income
- £57,000 Additional Grant income
- £91,000 Interest receivable and payable
- £760,000 Business Rates income
- £52,000 Contribution from Community Housing reserve

- 4.1.5. The original budget for 2023/24 includes a forecast to achieve £250,000 worth of salary vacancy savings. As at 31<sup>st</sup> March 2024 we actually achieved £332,000.
- 4.1.6. The National pay award negotiations for 2023/24 have been settled and was paid to staff in November’s salary, backdated to 1 April 2023. The pay award worked out to be an average of 6.7%, the original budget

included 4%, and the additional costs of £436,000 have been funded from the Budget Management reserve.

- 4.1.7. Members approved in June 2021 to proceed with the acquisition of Green Lanes Shopping Centre; which the Council completed the purchase in November 2021. The purchase of Green Lanes Shopping Centre was a once in a lifetime opportunity to acquire this strategic asset and complement other significant regeneration improvements being delivered within the Barnstaple town centre through the Future High Streets project. The financial modelling demonstrated that revenue income generated from the centre would cover both the repayment of the loan and asset management costs and would return a contribution to the Council which could be used towards mitigating future risks on income volatility, investment back into the centre and the overarching council budget.

The financial outturn for the Centre produced a net return (income less costs) for:

- 2021/22 year of (£243,600) due to minimal borrowing costs as these commenced in 2022/23.
- 2022/23 trading position produced a net return of (£291,000), including borrowing costs.
- 2023/24 trading position produced a net return of (£237,000), this includes £150,000 from the income volatility reserve due to the financial impact of losing Wilko in August 2023. This reserve having been created in 2021/22 for this purpose to protect the council in the event of a tenant loss and smooth the budgetary impact.

- 4.1.8. As at 31<sup>st</sup> March 2024 the Collection Fund reserve balance held is £1,790,180. This earmarked reserve was created to deal with the timing impacts of the Collection Fund (Business Rates), which ensures the revenue budget is not unduly affected in the year the taxes are collected. Collection Fund deficits/surpluses are reversed out to bring the revenue account back to the budgeted figure for the year; the deficits/surpluses are recovered/distributed in the following financial years. This reserve includes an £1,246,078 balance that will be utilised in 2024/25 and 2025/26 to mitigate timing differences of business rate reliefs awarded in 2023/24 that from an accounting perspective impact over the next two financial years; thus leaving the fund reserve with a residue balance of £544,102 protection against future volatility.

- 4.1.9. From the revenue budget surplus of £630,000, it was proposed to set aside the amount into the following earmarked reserves:-

- Corporate Property income volatility reserve - £150,000
- Insurance Reserve - £280,000 – mitigate 2024/25 higher insurance costs
- Digital Transformation Financial system reserve - £200,000

4.1.10. As at the 31st March 2024 total external borrowing was £3,000,000. The timing of any future borrowing is dependent on how the authority manages its treasury activity.

4.1.11.

4.1.12. Due to project spend slippages in the Capital programme and using the cash flow balances for internal borrowing, this has reduced borrowing costs and has resulted in a £304,000 underspend on the borrowing costs and has resulted in a £304,000 underspend on the interest payable revenue budget and in addition an increase in interest receivable of £441,000 over and above the budgeted amount in 2023/24. There was no requirement to use the Treasury Management reserve during 2023/24 and so the full reserve balance of £275,000 and the proposed additional in-year contribution of £150,000 can be carried forwards into 2024/25 to help protect and mitigate against higher borrowing costs in the future financial years.

4.1.13. The recommended level of general fund balance is 5%-10% of the Council's net revenue budget £738,326 to £1,476,645. The forecast general fund reserve at 31<sup>st</sup> March 2024 is £1,238,000; which is a level of 8.4%.

## **4.2. Earmarked Reserves 2023/24**

4.2.1. "Appendix B – Movement in reserves and Balances" details the movements to and from earmarked reserves in 2023/24

## **4.3. Strategic Contingency Reserve**

4.3.1. Full details of the Strategic Contingency Reserve movements and commitments are attached as "Appendix C – Strategic Contingency Reserve"

## **4.4. Capital**

4.4.1. The 2023/24 Capital Programme is attached as "Appendix D – Capital Programme 2023/24"

4.4.2. The Budget and Financial Framework report to Full Council 22nd Feb 2023 outlined the Capital Programme for the 2023/24 financial year of £21,247,098. Project underspend and further variations of (£8,535,958) were approved as part of the performance and financial management

report to Strategy and Resources Committee, to produce a revised 2023/24 Capital Programme of £12,711,140.

4.4.3. Actual spend on the Capital Programme for 2023/24 financial year was £10,146,403. The variance against budget of £12,711,140 is (£2,564,737); the carry forward to 2024/25 is £2,528,087 (the difference being £36,650, relating to):

- (£94) Greensweep / Bartec migration, small overspend – Project finished
- £3,158 Landmark Theatre, Fire alarm, project complete, remaining budget not required
- £33,311 Ilfracombe Watersports centre – Project complete, carry forwards £22,734 as contingency and return remaining £33,311
- £257 Queen Ann’s building, flat roof replacement, small underspend, project complete
- £18 Queens theatre replacement flat roof and redecoration, small underspend, project complete

4.4.4. In order to pay for the £10,146,403 capital investment the Council funded this from £7,400,238 received from external sources in the form of grants and other assistance, £1,025,988 of earmarked reserves held specifically for capital projects, £277,322 from the Capital receipts reserve and £1,442,855 through internally borrowing.

4.4.5. The 2024/25 to 2026/27 Capital Programme is attached as “Appendix E – Capital Programme 2024/25 to 2026/27”.

4.4.6. The Budget and Financial Framework report to Strategy and Resources 5<sup>th</sup> February 2024, outlined the Capital Programme for the 2023/24 financial year of £12,711,140, 2024/25 financial year of £20,258,368, 2025/26 financial year of £3,856,140.

4.4.7. Project under spends of £2,528,087 from 2023/24 year are brought forward to produce a revised Capital Programme for 2024/25 year of £22,786,455

4.4.8. Further variations of £1,828,292 are proposed to the 2024/25, £1,211,965 to the 2025/26 and £1,211,965 to the 2026/27 Capital programme as follows:

<b>Schemes</b>	<b>Amount (£)</b>	<b>Notes</b>
Removal of Local Authority Housing Fund Round 2	(552,000)	Approved by Strategy and Resources 8 <sup>th</sup> January 2024
Various S106 schemes	358,020	Approved by Full Council 21 <sup>st</sup> February 2024
Hub fit out in Green lanes	220,000	Approved by Strategy and Resources 5 <sup>th</sup> February 2024
Material Recovery Facility	350,060	Variation to existing budget, Approved by Full Council 27 <sup>th</sup> March 2024
Office Technology – end User assets	(100)	Virement to Green sweep software (spend was in 2023-24)
Ifracombe Pool Photovoltaic LED Lighting	88,347	New external grant from Sport England
Disabled Facility Grants	1,363,965	Better Care Fund grant allocation for 2024-25
<b>2025/26</b>		
Disabled Facility Grants	1,211,965	Better Care fund allocation (base amount)
<b>2026/27</b>		
Disabled Facility Grants	1,211,965	Better Care fund allocation (base amount)

4.4.9. The overall revised Capital Programme for 2024/25 to 2026/27 taking into account the budget variations above is £30,894,817 and is broken down as follows:

- 2024/25 £24,614,747
- 2025/26 £5,068,105
- 2026/27 £1,211,965

4.4.10. The Programme of £30,894,817 is funded by Capital Receipts / Borrowing (£13,411,234), External Grants and Contributions (£15,406,798) and Reserves (£2,076,785).

4.4.11. The timing and realisation of capital receipts can be impacted by events beyond the control of the Council and we have been able to manage cash flows for projects through internal borrowing.

4.4.12. We also have authority to borrow from the Public Works Loan Board (PWLB) as outlined in the Treasury Management Annual Investment Strategy and the Council currently has external borrowing of £3,000,000.

#### **4.4.13. Release of Funds – Capital Programme**

4.4.13.1. Ilfracombe Pool Photovoltaic LED Lighting £88,347

4.4.13.2. Disabled Facility Grants £1,363,965

### **4.5. Treasury Management**

4.5.1. Bank Rate remained at 5.25% for the quarter.

4.5.2. The Council's benchmark rate 7 day SONIA (Sterling Overnight Index Average) at 31<sup>st</sup> March 2024, was 4.96%

4.5.1. The return earned on the Council's investments was 4.45% (previous year 1.5%).

4.5.2. £561,000 investment interest was earned during the three quarter period. (2023/24 interest receivable budget was £120,000)

4.5.3. As at 31<sup>st</sup> March 2024, the Council had total external borrowing of £3m.

4.5.4. £60,350 interest was paid at an average rate of 2.01% on the PWLB loans during the half year period. (2023/24 interest payable budget was £364,000).

#### 4.6. Debt Management

- 4.6.1. The major areas of credit income are Council Tax, Business Rates, Housing Benefit overpayment Recoveries and General Debtors.
- 4.6.2. As billing authority, the Council annually raises the bills for Council Tax (£80,000,000) and Business Rates (£30,000,000).
- 4.6.3. Collection rates are controlled through monitoring:
- 4.6.3.1. The level of write offs
  - 4.6.3.2. Levels of previous years' outstanding debt
  - 4.6.3.3. The level of income collection in the year against the annual sums due to be collected.
- 4.6.4. The council's budget is based on the assumptions that eventually 97.5% of sums due will be collected. To ensure this level is achieved, year on year levels of write offs approved are controlled against a ceiling of 2.5% of annual debt.
- 4.6.5. The outstanding amounts at 31<sup>st</sup> March 2024 are as set out below:

Age in Years	Council Tax		Business Rates	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
1 – 2	1,302	<b>1,311</b>	223	<b>410</b>
2 – 3	849	<b>943</b>	99	<b>154</b>
3 – 4	657	<b>646</b>	169	<b>63</b>
4 – 5	420	<b>502</b>	31	<b>124</b>
5 – 6	277	<b>321</b>	25	<b>32</b>
Over 6	225	<b>289</b>	36	<b>41</b>
Total	3,730	<b>4,012</b>	583	<b>824</b>

- 4.6.6. The levels of collections at 31<sup>st</sup> March 2024 are:

	Achieved 2022/23	Achieved 2023/24
<b>Council tax</b>	97.23%	<b>96.97%</b>
<b>Business rates</b>	97.05%	<b>97.48%</b>



#### 4.7. General Debtors

4.7.1. The level of general invoices raised was £9,200,000 at 31st March 2024 (previous year £9,600,000)

4.7.2. A summary of the outstanding debt, by age, is set out below with comparison to the previous year.

Age of debt	31 March 2023	31 March 2024
	£'000	£'000
3 weeks to 6 months	265	1,122
6 months to 1 year	125	136
1 to 2 years	255	204
2 to 6 years	413	493
Over 6 years	70	73
<b>TOTAL</b>	<b>1,128</b>	<b>2,028</b>

4.7.3 Of the debt aged 3 weeks to 6 months above, £628k related to Planning Section 106 invoices that we were still in the process of recovering.

#### 5. RESOURCE IMPLICATIONS

5.1. All revenue and Capital impacts have been discussed and highlighted in section 4.

#### 6. EQUALITIES ASSESSMENT

6.1. These will have been completed prior to this report as part of the individual project processes.

#### 7. ENVIRONMENTAL ASSESSMENT

7.1 There are not any environmental implications anticipated as a result of this report, as the purpose of this report is to monitor in year performance and financial monitoring. Projects within the Capital Programme will have highlighted any specific environmental impacts associated with those individual schemes when they came forwards for initial funding. The budget papers do contain an earmarked reserve for Environmental Initiatives which has a positive impact and has a year-end 2023-24 balance of £24,285. The Capital Programme includes an approved £17,863 project for changing existing lighting for low energy lamps and fittings within NDC occupied buildings. There is also a £71,272 budget spread across 2 financial years for funding towards LED lighting on car parks and



other Council assets. An Environment Assessment will have been submitted separately for these schemes.

## **8. CORPORATE PRIORITIES**

8.1 The Revenue budget supports the wider delivery plan of the Council in achieving the corporate priorities.

8.2 Individual schemes within the Capital Programme support the corporate priorities of improving customer focus, regeneration and commercialisation agenda and the environment.

8.3 The acquisition of Green Lanes Shopping Centre and the Future High Street Fund capital projects have a positive impact on both the regeneration priority and also the commercialisation agenda.

## **9. CONSTITUTIONAL CONTEXT**

9.1. Part 3, Annex 1 1 (e) - Delegated.

9.2. Article 4.4 - Referred

## **10. STATEMENT OF CONFIDENTIALITY**

10.1. This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

## **11. BACKGROUND PAPERS**

11.1. None

## **12. STATEMENT OF INTERNAL ADVICE**

12.1. The author (below) confirms that advice has been taken from all appropriate Councillors and Officers: Author Tony Rumble, Finance Manager; Date 18<sup>th</sup> June 2024